Before the

Federal Communications Commission

Washington, D.C. 20554

In the Matter of	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
Establishing Just and Reasonable Rates for Local	)	
Exchange Carriers	)	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing an Unified Intercarrier Compensation	)	
Regime	)	CC Docket No. 01-92
	)	
Federal-State Joint Board on Universal Service	)	CC Docket No. 96-45
	)	
Lifeline and Link-Up	)	WC Docket No. 03-109

FURTHER NOTICE OF PROPOSED RULEMAKING

COMMENTS OF
MESCALERO APACHE TELECOM, INC.

INTRODUCTION

Mescalero Apache Telecom, Inc. ("MATI"), a wireline Tribal rate-of-return ("RoR") ILEC, hereby submits its Comments to the Federal Communications Commission ("FCC" or "Commission") in response to the Commission's Further Notice of Proposed Rulemaking ("FNPRM," or "Proposal").[1] In this Further Notice of Proposed Rulemaking, the Commission seeks comment on issues related to Universal Service Fund and Intercarrier Compensation Reform adopted concurrently with the FNPRM.[2] At this time, MATI is limiting its comments to issues surrounding the Commission's decision to initiate an interstate rate of return represcription proceeding[3], and the resultant questions contained in the FNPRM.[4] However, by limiting its comments to those relating to revising the interstate authorized rate of return, MATI is in no way agreeing with the other proposals contained in the FNPRM, sections A-K, nor does this limitation of its comments imply any agreement with the decisions made in the *ICC/USF Transformation Order*.

GENERAL

MATI was established in 1995, incorporated in 1999 and has been providing communications services since 2001. MATI received Commission approval of its request for a study area waiver in regards to its purchase of the Mescalero, Alto, and Ruidoso exchanges in New Mexico that had previously been served by Valor.[5] MATI also received a waiver of Part 54.305 of the Commission's rules so that it would receive high cost universal service support based on the cost of the lines it purchased, as opposed to being limited to the per-line support received by the

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[1] Adopted October 27, 2011 and Released November 18, 2011 (*ICC/USF Transformation Order*)

[2] Report and Order and Further Notice of Proposed Rulemaking In the Matter of Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing an Unified Intercarrier Compensation Regime, CC Docket No. 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109; and Universal Service Reform – Mobility Fund, WT Docket No. 10-208, released November 18, 2011.

[3] See *USF/ICC Transformation Order* at Section IX. B.

[4] See FNPRM, XVII. C.

[5] Mescalero Apache Telecom, Inc., GTE Southwest Incorporated, and Valor Telecommunications of New Mexico, LLC, Joint Petition for Waiver of the Definition of "Study Area" Contained in Part 36, Appendix-Glossary of the Commission's Rules, Mescalero Apache Telecom, Inc., Related Waivers of Parts 36, 54, 61and 69 of the Commission's Rules, Order CC Docket 96-45, DA 01-129 (rel. January 18, 2001) (*Study Area Waiver Order*)

sellers.[6] MATI was formed for the purpose of bringing modern communications services to the people of the Mescalero Apache Reservation. Until MATI arrived, the penetration rate on the Reservation was a dismal 48%, with many more residences and businesses being underserved due to the poor condition of the plant in use by then owners GTE.

MATI serves the Mescalero Apache Reservation, an area consisting of approximately 720 square miles in south central New Mexico. As stated above, when MATI took over operations on the Reservation, the telephone penetration rate was well below the national average at that time. MATI, as a wholly owned enterprise of the Mescalero Apache Tribe, undertook the risky venture of serving a historically underserved and economically disadvantaged area in order to afford the Mescalero Apache people with "access to telecommunications, including access to interexchange services, advanced telecommunications, and information services, and thereby increase the tribe's access to education, commerce, government, and public services.[7]" MATI, by taking the steps it did, also helped "bridge the physical distances between those living on the Reservation and the emergency, medical, employment, and other services that they may need to improve the standard of living on the Reservation.[8]" MATI continues its commitment to provide service to the Reservation, which now, as with the rest of the United States, must include investment in broadband capable services.

MATI has been highly successful in changing the communications life on the Reservation. Since inception in 2001, MATI has been a shining example of "doing the right thing" with universal service fund monies, building infrastructure and providing both basic and advanced service Reservation-wide. When MATI took over operations in 2001, approximately 600 access lines were in service on the Reservation. Today, more than twice as many lines are on-network and Community members have access to both the PSTN and Internet via a vibrant telecommunications network.

MATI's success is in large part due to the support provided by the Commission's universal service programs and a loan from the Rural Utilities Service. Without this support system, the Mescalero Apache people would still be largely unserved and completely unprepared to meet the

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[6] Mescalero Apache Telecom, Inc., Waiver of Section 54.305 of the Commission's rules, CC Docket 96-45, FCC 01-13 (rel. January 18, 2001)

[7] *See Study Area Waiver Order* at 29

[8] *Id.*

challenges of the information age. MATI used the universal service support it received, along with the proceeds of the RUS loan, to build facilities capable of serving the Mescalero Apache as described above, all at rates that are reasonably comparable to those paid by consumers in more urban areas. The only conclusion that can be drawn is the Universal Service Support system that existed prior to the Commission's *ICC/USF Transformation Order* assisted in greatly improving the ability of the Mescalero Apache people to "bridge physical distances" between the Reservation and the rest of the country, and indeed, the world.

I. The *ICC/USF Transformational Order* Threatens MATI's Ability to Continue Providing and Expanding Vital Services to the Mescalero Apache Reservation

In order to provide necessary context for commenting upon the Commission's proposal to revise the current authorized interstate rate of return, MATI first turns to the Commission's *ICC/USF Transformation Order* and how it, on balance, threatens MATI's ability to continue with the vital work it started on the Mescalero Apache Reservation over 12 years ago. The threat posed by the Commission's Order is real, the facts surrounding which will certainly be made available during the numerous court appeals[9] and petitions[10] that either have been or will be filed. However, MATI in these comments will provide the Commission with a look at the damage that will be done to a company whose sole purpose is to assist in fulfilling the Federal Trust Doctrine, under which the Commission has certain obligations to work with the Mescalero Apache Tribe to ensure the advancement and protection of the interests of the Tribe.[11]

As shown in Exhibit A[12] to these comments, MATI is at risk of losing over 27% of its federal USF support, solely as a result of applying the new corporate expense caps[13] and instituting the

[9] Appeals of the ICC/USF Transformation Order have been consolidated at the United State Court of Appeals for the Tenth Circuit

[10] See, e.g., Petition for Reconsideration and Clarification filed by the National Exchange Carrier Association, Organization for the Promotion and Advancement of Small Telecommunications Companies, and Western Telecommunications Alliance (December 29, 2011)

[11] *See e.g., Seminole Nation v. United States*, 316 U.S. 286, 297 (1942) ("[The U.S. Government's] conduct, as disclosed in the acts of those who represent it in dealings with the Indians, should therefore be judged by the most exacting fiduciary standards.")

[12] Exhibit A was prepared by Alexicon Telecommunications Consulting, who has been very active in this proceeding. Alexicon is widely known as experts in the field of rate of return regulation and has decades of telecom consulting experience. Furthermore Alexicon reproduced the Commission's quantile regression analysis "to the dollar" for all RoR carriers as developed and shown in Appendix H of the ICC/USF Transformation Order and has corresponded with FCC staff numerous times on this model

[13] *ICC/USF Transformation* Order at VII. D. 4

proposed operating and expense cap limitations[14] adopted in the *ICC/USF Transformational Order*.[15] This loss in support, which in real dollars amounts to nearly $900,000, will have a severe, adverse impact on MATI and other similarly situated rural LECs, especially tribally-owned and operated companies. A reduction in revenues of this magnitude equates to roughly 15% of <u>total</u> revenues and will force MATI to cut jobs; induce customer service losses Reservation-wide; re-evaluate and cut back its capital expenditure program, including broadband deployment; and effectively delay or even cease adding additional customers to the network due to lack of sufficient funding. As you can see, the impact of the FCC's *ICC/USF Transformational Order* is having the exact opposite affect that the Commission intended.

The Commission's Accounting Policy Division stated the Commission's responsibility under the Federal Trust doctrine succinctly in its Order granting MATI's study area waiver request:

> "We also find that this result is consistent with our obligations under the historic federal trust relationship between the federal government and federally-recognized Indian tribes to encourage tribal sovereignty and self-governance and to ensure a standard of livability for members of Indian tribes on tribal lands. The grant of this waiver will enhance the Mescalero Apache tribe's access to telecommunications, including access to interexchange services, advanced telecommunications, and information services, and thereby increase the tribe's access to education, commerce, government, and public services. These measures will also help bridge the physical distances between those living on the Reservation and the emergency, medical, employment, and other services that they may need to improve the standard of living on the Reservation. Accordingly, we conclude that Mescalero has demonstrated that the grant of this waiver request serves the public interest."[16]

In addition, the Commission, in granting MATI's request for a waiver of Section 54.305 of the Commission's rules, stated:

> "…Mescalero is a newly-formed, tribally-owned and operated, carrier established for the purpose of addressing the severe shortage of telecommunication services on the Reservation. In addressing Mescalero's waiver request, we are mindful of our obligation to work with Indian Tribes on a government-to-government basis consistent with the principles of Tribal self-governance. In doing so, we attempt to ensure that Indian Tribes have adequate access to telecommunications services. By granting this waiver, the Mescalero Apache Tribe will gain control over the deployment and provision of telecommunications services on the Reservation, thereby furthering tribal self-government and self-determination. As a tribally-owned and operated carrier, Mescalero is particularly suited to understand and address the unique needs of

[14] *ICC/USF Transformation Order*, Section VII. D. 3; FNPRM, Section XVII. D and Appendix H

[15] These estimated results reflect only the possible impact of the new corporate expense cap rules and proposed operating expense and capital expense limit rules on MATI's HCLS and ICLS and do not include the impacts of any of the Commission's other rulings or proposed rulings.

[16] *Study Area Waiver Order* at 29 (footnotes eliminated)

> the Mescalero Apache community and to set communications priorities and goals for the welfare of the membership."[17]

Clearly, the Commission recognized the unique issues inherent in providing vital communications services to tribal areas 10 years ago, and just as clearly, the Commission has abandoned those well-reasoned principles in several areas of the *ICC/USF Transformation Order*. MATI will provide the Commission with one way to mitigate the damage it has done in the name of efficiency in the remainder of these comments.

II. Access to Capital Markets in the Post-ICC/USF Transformational Order Environment

It is fairly intuitive that the *ICC/USF Transformation Order* will, among many other things, impact access to the capital markets, whether equity or debt. For privately held companies, access to the capital markets in large part equates to the ability to qualify for loans from the Rural Utilities Service (RUS), CoBank, and the Rural Telephone Finance Cooperative (RTFC). MATI is owned by the Mescalero Apache Tribe, and it has thus far accessed the capital markets through an RUS loan. MATI also generates internal funds through which it can support its capital and operating expense needs.

The capital markets for incumbent local exchange carriers have been adversely impacted by the increase in competition and the resulting erosion of landline subscribers over the past decade. Coupled with the seemingly perpetual change in the regulatory environment, terms under which small RLECs can access debt capital have become less favorable. Once the Commission determined, via rulings in the ICC/USF Transformation Order, that cost recovery for RLECs should be 1) radically changed, and 2) put into further turmoil[18], access to debt capital for companies such as MATI has never been more uncertain.[19] This, along with the strain on internally-generated funds the Commission added by virtue of its decisions and proposed

[17] *See* Mescalero Apache Telecom, Inc., Waiver of Section 54.305 of the Commission's rules, CC Docket 96-45, FCC 01-13 (rel. January 18, 2001), Order at 8.

[18] The long term solution for RLEC universal service support was not decided, and is instead part of the FNPRM.

[19] See October 12, 2011 Ex Parte Filing by RTFC "…reductions in USF support and/or net operating revenue could lead to severe adverse consequences with respect to both the recovery of existing capital investment in rural markets and prospects for future financing of investment in areas served by smaller rural providers."

decisions in the *ICC/USF Transformation Order* and FNPRM, means MATI's business plan, which was explicitly supported by the Commission, is now in grave danger.

III. The Commission Should Adopt a Different Authorized Interstate Rate of Return for Tribally-Owned Incumbent Rural LECs

In the FNPRM, the Commission raises the issue of whether a different rate of return is warranted for tribally-owned and operated carriers.[20] The Commission correctly recognizes that Tribally-owned carriers, such as MATI, "play a vital role in serving the needs and interests of their local communities, often in remote, low-income, and underserved regions of the country."[21] In addition, the Commission properly recognizes that Tribally-owned carriers "serve cyclically impoverished communities with a historical lack of critical infrastructure" and that "[r]eservation-based economies lack fundamental similarities to non-reservation economies and are among the most impoverished economies in the country."[22]

The Mescalero Apache Reservation indeed reflects the realities the Commission described in the FNPRM. Median household income on the Reservation is $39,063, compared to a national average of $52,882.[23] The poverty rate on the Reservation is 18.2%, compared with 14% nationally.[24] The percent of customers that qualify for Lifeline support on the Reservation is roughly 84%, compared to a national average of 21.8%.[25] Thus, MATI's business risk in serving the Mescalero Apache Reservation is greater than in most non-reservation areas, as correctly noted by the Commission. Further, MATI serves where others have refused, or failed, to serve previously and in the process brought vital communications and information services to an area severely lacking in modern infrastructure. Finally, by virtue of being owned and operated under the direction of the Mescalero Apache Tribe, MATI is obligated to provide service, and indeed it is MATI's sole reason for existence to help ensure the people of the Mescalero Apache Reservation can bridge the digital and communications divide that developed over decades.

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[20] FNPRM at 1059
[21] *Id.*
[22] *Id.*
[23] Data as reported on the National Broadband Map for the Mescalero Apache Reservation
[24] *Id.*
[25] National Broadband Plan eligibility, pg 172 compared to household Census data for 2008

The Commission, by way of rulings and proposed rulings in the ICC/USF Transformation Order and the FNPRM, has placed additional risk on tribally-owned communications companies in two major ways. First, the Commission is apparently counting on wireless broadband to fulfill the promises of the National Broadband Plan in Native American areas. Second, regulatory uncertainty causes increased business risk, and the Commission has added a certain level of uncertainty by not adopting a long term plan for broadband support in rate-of-return LEC areas. These points are discussed briefly below.

As MATI informed the Commission previously, the apparent reliance on wireless technology to meet the broadband needs of Tribal areas carries with it substantial issues.[26] The mere fact that the Commission has now acted on its proposals to rely heavily on the Mobility Fund[27] to ensure Native Americans have access to broadband capable services brings additional risk to MATI's business. Where there has previously been no provider willing or able to bring reliable and advanced communications services to the Mescalero Apache Reservation, the Commission is now attempting to incent additional "competition" into the area, one of which will most likely be granted authority to serve areas on the basis of the lowest bid (the wireless carrier). Regardless of the protections the Commission has adopted to ensure Native American areas receive reasonable service from the carriers tapping into the Mobility Fund[28], the fact is MATI's risk increased the day the Commission decided it prudent to allow subsidized competition into MATI's service area.

In order to recognize the additional risk incurred by MATI and other tribally-owned rural LECs, both as a result of their service areas and as a result of the Commission's own actions, the Commission should adopt "Tribal Carrier Risk Premium" to the authorized interstate rate of return adopted as a result of its planned rate of return represcription.[29] The risk premium, in a classic sense, is the difference between investors' expected return from the stock market and the expected return from risk-free investments, typically U.S. Treasury Bills or Bonds. The

[26] See MATI's October 20, 2011 Ex Parte Filing in this proceeding.
[27] See ICC/USF Transformation Order, Section VII. E; FNPRM, Section I
[28] See ICC/USF Transformation Order, Section IX. A. (paragraphs 636 – 637)
[29] The new RoR will impact only interstate common line and special access service, as well as the transitional HCLS and ICLS calculations

Commission has recognized the risk premium concept previously.[30] However, in the current prescription proceeding, MATI proposes the Commission adopt an upward adjustment to the final interstate rate of return authorized specifically for tribally-owned LECs, which can be described as a Tribal Carrier Risk Premium.

It is well known that smaller companies are more dependent upon the economic, social, and other factors related to small and constrained service areas, as compared to larger companies.[31] This dependency on a small geographic area can result in significant exposure and sensitivity to one large employer or group of customers, for example. Simply stated, a small rural LEC does not have the wherewithal to withstand major changes in economic or social conditions due to the reliance for business from a small and limited geographic area. This in turn produces additional risk for these small firms, and nowhere is this more pronounced that with tribally-owned RLECs, due to the factors stated in paragraph 1059 of the FNPRM, among others. One way to consider this additional risk is to increase the RoR allowed for such RLECs.

While MATI is not providing comment to the Commission as to the development of the overall interstate rate of return that apparently will result from a new prescription proceeding, MATI believes the Commission would be well within its authority to adopt a Tribal Carrier Risk Premium in order to arrive at a different RoR for tribally-owned and operated RLECs. This Risk Premium can be added to the adopted return on equity, or could simply be an adjustment (upward, in all cases) to the authorized interstate *overall* RoR for tribally-owned and operated RLECs. As to the amount of premium to apply, MATI, as to an example, points to testimony filed on behalf of a small Kansas RLEC during an audit of the company's state universal service support receipts:

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[30] *See e.g*., CC Docket No. 98-166, Notice Initiating a Prescription Proceeding and Notice of Proposed Rulemaking (rel. October 5, 1998) at 31 (*1998 Prescription Notice*)

[31] MATI notes that traditional method used by the Commission to determine the interstate rate of return requires, among other data, a group of surrogate companies upon whose publicly available financial and market data the return on equity and other inputs to the overall RoR is based. These proxy companies bear little resemblance to MATI, other tribally-owned carriers, or RLECs in general – *see e.g.,* FNRPM at 1052.

> "…investors would require at least 200 to 400 basis points in additional return in order to bear the greater risks associated with an equity investment in a small telephone company…" [32]

While the subject company of this analysis was not a tribally-owned carrier, the theory is similar in that smaller firms face higher risk in some areas and should be afforded a higher Return on Equity ("ROE") to compensate. This adjustment was 200 to 400 basis points in 2001, which MATI believes can be increased due to the risk added to MATI's business by the Commission's recent actions.

CONCLUSION

Based on the foregoing, MATI requests that the Commission adopt a different rate of return for tribally-owned and operated carriers by adjusting the return on equity, or the overall rate of return, upward to reflect the risks faced by such carriers as discussed herein.

Respectfully Submitted,

Godfrey Enjady

Mescalero Apache Telecom, Inc.

January 18, 2012

[32] Prefiled Rebuttal Testimony of Dr. William Avera on behalf of Craw-Kan Telephone Cooperative, at p. 26. Kansas Corporation Commission Docket No. 01-CRKT-713-AUD (filed 10/17/2001). Dr. Avera's testimony goes into great detail as to how this conclusion is reached, and is available online at www.kcc.ks.gov

EXHIBIT A

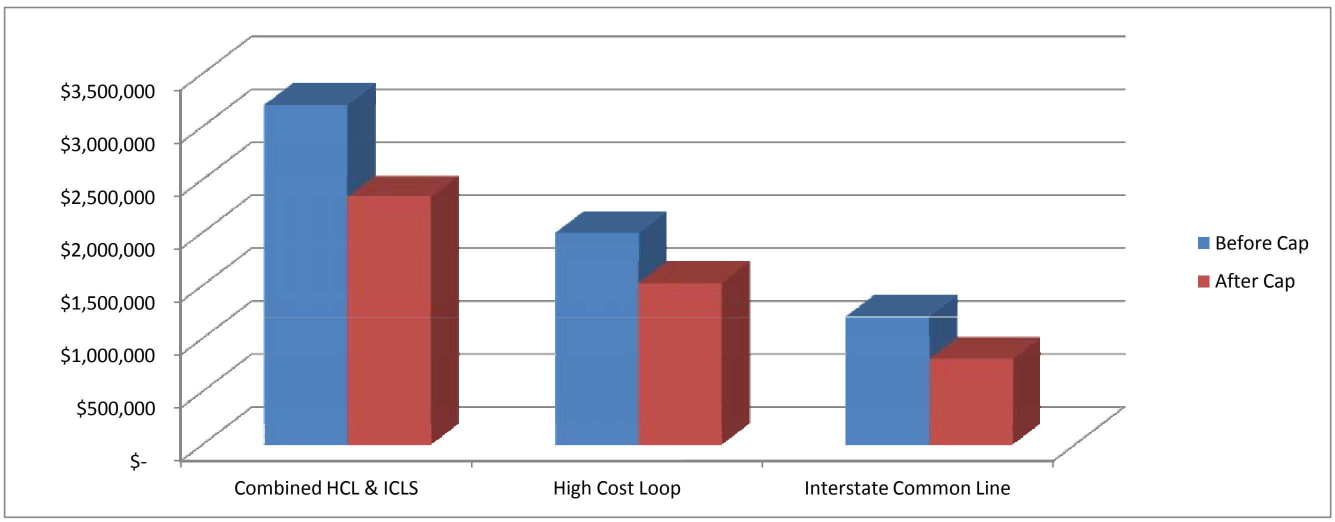
1/2/20124:25 PM

491231	STUDY AREA CODE
MESCALERO APACHE	STUDY AREA NAME
NM	STATE

ESTIMATED CHANGES IN HCL & ICLS

HCL without Caps (status quo Corp Ops limit)	$	1,997,813			
Reduction from 90th Quantile CapEx & OpEx Caps	$	(462,673)			
Change from New Corp Ops Exp Limit Calc	$	(10,159)			
High Cost Loop Support (capped)	**$**	**1,524,981**	HCL per Loop	$	108.14
% Change		-23.7%			
Interstate Common Line Support (status quo)	$	1,209,780	ICLS per Loop	$	57.06
Corporate Operations Expense Limit to ICLS	$	(399,783)	Total per Loop	$	165.20
Reduction in Support ($250 per loop per month limit)	$	-	Reduction	$	84.80
Interstate Common Line Support (capped)	**$**	**809,997**			
% Change		-33.0%			

Combined HCL & ICLS			Change ($)	Change (%)
Before Caps	**$**	**3,207,593**		
After Caps	**$**	**2,334,978**	$ (872,615)	-27.2%



PROOF OF REGRESSION CALCULATION

RECALCULATION OF FCC CAPPED STUDY AREA COST PER LOOP

AS13	CWF Main Exp to Cat 1	$	114,830
AS14	COE Main Exp to Cat 4.13	$	185,395
AS15	Network & General Support Exp to CWF 1 & COE 4.13	$	162,765
AS16	Network Ops Exp to CWF 1 & COE 4.13	$	162,224
AS17	Depr/Amort Exp to CWF 1	$	403,963
AS18	Depr/Amort Exp to COE 4.13	$	254,832
AS19	Corp Ops Exp to CWF 1 & COE 4.13 - Status Quo Limit	$	510,693
AS20	Operating Taxes to CWF 1 & COE 4.13	$	4,692
AS21	Benefits (non-Corp Ops) to CWF1 & COE 4.13	$	196,687
AL22	Rents assigned to CWF 1 & COE 4.13	$	255,547
AL23	Return Component for CWF 1	$	437,442
AL24	Return Component for COE 4.13	$	74,068
AL25	Total Unseparated Costs	$	2,763,138
AL26	Revised Study Area Cost Per Loop (SACPL)	**$**	**2,335.70**
	Revised SACPL per FCC	$	2,336.00

EXHIBIT A

1/2/20124:25 PM

491231	STUDY AREA CODE
MESCALERO APACHE	STUDY AREA NAME
NM	STATE

REGRESSION CAP CALCULATION

FCC REGRESSION ANALYSIS VARIABLES

1	Loops (DL 060)	1,183
2	Housing Units (non-urbanized area)	749
3	Housing Units (urbanized cluster)	-
4	Housing Units (urbanized area)	-
5	Land Area (non-urbanized area)	543.2837
6	Land Area (urbanized cluster)	-
7	Land Area (urbanized area)	-
8	Percent Water	0.000658
9	Census Blocks (non-urbanized area)	265
10	Census Blocks (urbanized cluster)	-
11	Census Blocks (urbanized area)	-

90th QUANTILE CAPPED COSTS		ACTUAL AMOUNT	CAPPED AMOUNT	CAP ROOM / DISALLOWED COSTS
AS1	CWF & Leases deemed Cat 1	$ 8,257,709	$ 11,641,500	3,383,791
AS2	COE 4.13 including Leases	$ 2,686,015	$ 2,904,863	218,848
AS7	Materials & Supplies to CWF 1	$ 16,553	$ 123,429	106,876
AS8	Materials & Supplies to COE 4.13	$ 5,384	$ 27,782	22,397
AS9	Accum Depr&Amort + Non Def'd Op Tax to CWF 1	$ 4,385,891	$ 6,183,114	1,797,223
AS10	Accum Depr&Amort + Non Def'd Op Tax to COE 4.13	$ 2,033,014	$ 2,198,657	165,643
AS13	CWF Main Exp to Cat 1	$ 114,830	$ 226,949	112,119
AS14	COE Main Exp to Cat 4.13	$ 258,440	$ 185,395	(73,045)
AS15	Network & General Support Exp to CWF 1 & COE 4.13	$ 345,215	$ 162,765	(182,450)
AS16	Network Ops Exp to CWF 1 & COE 4.13	$ 256,685	$ 162,224	(94,461)
AS17	Depr/Amort Exp to CWF 1	$ 403,963	$ 537,642	133,679
AS18	Depr/Amort Exp to COE 4.13	$ 269,730	$ 254,832	(14,898)
AS19	Corp Ops Exp to CWF 1 & COE 4.13 - New Limit	$ 510,693	$ 497,145	(13,548)
AS20	Operating Taxes to CWF 1 & COE 4.13	$ 4,692	$ 6,237	1,545
AS21	Benefits (non-Corp Ops) to CWF1 & COE 4.13	$ 522,773	$ 196,687	(326,086)
AL22	Rents assigned to CWF 1 & COE 4.13	$ 255,547	$ 339,673	84,125
AL23	Return Component for CWF 1	$ 437,442	$ 627,954	190,513
AL24	Return Component for COE 4.13	$ 74,068	$ 82,574	8,505
AL25	Total Unseparated Costs	**$ 3,454,079**	**$ 3,280,076**	**(174,003)**

Directly Capped Costs from Regression Analysis

Indirect Caps based on flow through of Direct Caps and Actual Results

EXTRAPOLATED UNALLOCATED COST CAPS

HCL Data Line	ACCOUNT	ACTUAL AMOUNT	CAPPED AMOUNT	CAP ROOM / DISALLOWED COSTS
170	Materials & Supplies	$ 33,359	$ 172,128	138,769
430	Cable & Wire Facility Expense (excl. benefits & rents)	$ 204,961	$ 241,119	36,158
410	Central Office Expense (excl. benefits & rents)	$ 848,522	$ 361,536	(486,986)
335 + 350	Network & General Support Expense (excl. benefits & rents)	$ 975,908	$ 247,514	(728,394)
450	Network Operations Expense (excl. benefits & rents)	$ 413,156	$ 246,690	(166,466)
530	Depreciation Expense - Cable & Wire Facility	$ 429,186	$ 571,211	142,025
525	Depreciation Expense - Central Office Equipment	$ 525,998	$ 496,945	(29,053)
565	Corporate Operations Expense	$ 1,363,942	$ 756,000	(607,942)
650	Operating Taxes	$ 7,135	$ 9,484	2,349
600	Benefits (non-Corp Ops)	$ 916,558	$ 299,099	(617,459)
610	Rents	$ 388,606	$ 516,534	127,928

(Note: changes in CWF 1 and COE 4.13 investment will change Indirect Cap Amounts)